

**AN ANALYSIS OF PLASTIC WATER TANK INDUSTRY IN
SRI LANKA AND ITS COMPETITIVENESS WITH
SPECIAL REFERENCE TO SOLCI BRAND**

By

S. Anura Siriwardhana

This thesis was submitted to the Department of Management of
Technology of the University of Moratuwa in partial fulfillment of
the requirements for the Degree of Masters in Business
Administration



University of Moratuwa
Electronic Theses & Dissertations
www.um.ac.lk

Supervised by

Dr. P.M.C. Tilakarathna
Department of Financial Management
University of Kelaniya

University of Moratuwa



79636

Department of Management of Technology
University of Moratuwa
Moratuwa

January 2004

65 "04"
628.00 (548.4)

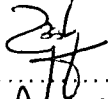
UM Thesis

79636

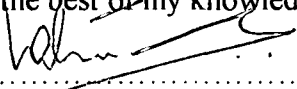
79636

DECLARATION

"I certify that this thesis does not incorporate without acknowledgement any material previously submitted for a degree or diploma in any University to the best of my knowledge and belief it does not contain any material previously published, written or orally communicated by another person except where due reference is made in the text."


.....
S. Anura Srinwardhane
Signature of the Candidate
(Name with Initials)

To the best of my knowledge, the above particulars are correct.


.....
Supervisor
(Name with Initials)



University of Moratuwa, Sri Lanka
Electronic Theses & Dissertations
www.lib.mrt.ac.lk

Name.

.....
Dr. P. M. C. Thilakaratne
.....
.....

NOTE

**THIS STUDY IS FOR EDUCATIONAL PURPOSE AND SHOULD
NOT BE PUBLISHED WITHOUT THE AUTHOR'S CONSENT.**



University of Moratuwa, Sri Lanka.
Electronic Theses & Dissertations
www.lib.mrt.ac.lk

ACKNOWLEDGEMENT

This dissertation is completed with encouragement, ideas and ready assistance from all the devoted people I have met. Since gratitude must be personally extended to them for their tremendous services.

Firstly, I wish to express my deepest gratitude to my supervisor, Dr P.M.C.Tilakaratna. Head, Department of Financial Management, University of Kelaniya, for his valuable advice and guidance throughout this study.

Secondly, I wish to express my gratitude to Dr Sarath Dasanayaka for kindly agreeing to serve as a co-supervisor and also for his valuable advice during my study.

Thirdly, my sincere gratitude to all office colleagues in my Division for creating the environment for me to continue with my studies and also for supporting to carry out the customer survey.



University of Moratuwa, Sri Lanka.
Electronic Theses & Dissertations
www.lib.mrt.ac.lk

Fourthly special thanks to all the members of the Department of Management, University of Moratuwa, for all assistance they rendered to me. Specially I would like to thank Prof A.K.W Jayawardane and Dr Chandana Perera for their valuable guidance during the course.

Fifthly sincere appreciation and gratitude is also expressed to Mr Samantha Ranathunga, Director . Chemical Industries (Colombo) Ltd, who granted necessary approvals, enabling me to continue my course of study , whilst working at the CIC.

ABSTRACT

The core objective of this study was to analyze the plastic water tank industry in Sri Lanka and find out whether the industry is long term attractive for the Company to be in the business. If the industry is very attractive, then what are the strategies available for long term business. If not, what are the alternative strategies that could be available for the company to justify the investment already being made. Based on the above problems the following objectives were identified by the researcher. To find out whether the water tanks market is still attractive as an industry. After analyzing the industry, the next step is to find out what are the strategies that the Company should adapt to succeed in the market. If the plastic water tanks industry does not have any long term potential then what are other strategies available for the Company to justify the investment already made on the plant. To meet the above requirements, it is very important to identify the key success factors (KSF) also called as order winning factors in the plastic water tanks industry, rating the firm and its key rivals on each factor and finding out the current position of SOLCI brand against the competitors.

Extensive field work including literature survey was carried out on the back ground of the current status of plastic water storing tanks in Sri Lanka. According to the survey, this industry is very competitive and the "SOLCI" brand which is mainly revired in this study needs to differentiate the product from other brands.

TABLE OF CONTENTS

ACKNOWLEDGEMENT	II
ABSTRACT	III
LIST OF TABLES	IV
LIST OF FIGURES	VII
LIST OF ABBREVIATIONS	VII
CHAPTER ONE	
1.0 GENERAL INTRODUCTION	1
1.1 WATER TANK INDUSTRY	1
1.2 IMPORTANCE OF THE RESEARCH	2
1.3 EXISTING GAPS	2
1.4 SCOPE OF THE RESEARCH	3
1.5 OBJECTIVES	3
1.6 METHODOLOGY	4
1.7 WHY THIS METHODOLOGY IS USED	5
1.8 ORGANIZATION OF THE RESEARCH	5
1.9 OUT PUT OF THE RESEARCH	6
1.10 SUMMARY	6
CHAPTER TWO	
2.0 LITERATURE REVIEW	7
2.1 INTRODUCTION	7
2.2 ORGANISATION OF THE CHAPTER	7
2.3 LITRATURE ON THE MODULES	7
2.3.1 Michael Porters five forces model	7
2.3.1.1 The Power of Suppliers	8
2.3.1.2 The Power of Buyers	8
2.3.1.3 Substitute Products	9
2.3.1.4 Rivalry among Competing Sellers	9
2.4 BUSINESS STRATEGIES	10
2.4.1 Michael Porter's Generic Strategies	12
2.4.1.1 Low Cost Strategy	12
2.4.1.2 Differentiation Strategy	13
2.4.1.3 Focus Strategy	14
2.5 ENVIRONMENTAL ANALYSIS	14
2.6 SWOT ANALYSIS	15
2.7 COMPETITIVE STRENGTH ASSESSMENT	16
2.8 SUMMARY	18



CHAPTER THREE

3.0	METHODOLOGY	19
3.1	INTRODUCTION	19
3.2	DETAILS OF THE SURVEY	20
3.3	SAMPLE OF THE STUDY	21
3.4	METHODOLOGICAL ISSUES	22
3.5	LIMITATION OF STUDY	22

CHAPTER FOUR

4.0	CURRENT SITUATION OF THE INDUSTRY	23
4.1	INTRODUCTION	23
4.2	EMERGENCE OF WATER TANK INDUSTRY	23
4.3	PLASTIC WATER TANK INDUSTRY	24
4.3.1	Production Process	23
4.3.2	Overview of Rotational Moulding Technology	24
4.4	CURRENT SITUATION OF SOLCI BRAND	25
4.5	SUMMARY	29

CHAPTER FIVE

5.0	PLASTIC WATER TANK INDUSTRY ANALYSIS	30
5.1	INTRODUCTION	30
5.2	APPLICATION OF FIVE FORCES MODEL	30
5.2.1	Rivalry Among Competing Sellers	30
5.2.1.1	Number of Competitors and their Size	30
5.2.1.2	Demand for Plastic Water Tank in Sri Lanka	31
5.2.1.3	Intense Rivalry	31
5.2.1.4	Rivalry Against the Exit Cost	31
5.2.2	Bargaining Power of Suppliers	33
5.2.3	Bargaining Power of Buyers	34
5.2.4	Threat of Potential New Entrants	35
5.2.5	The Competitive Forces	37
5.3	Summary	37

CHAPTER SIX

6.0	COMPANY SITUATIONAL ANALYSIS	38
6.1	INTRODUCTION	38
6.2	ENVIRONMENTAL ANALYSIS	38
6.2.1	Social Factors	38
6.2.2	Technological Factors	38
6.2.3	Environmental Factors	38
6.2.4	Political Factors	38
6.3	SWOT ANALYSIS	38
6.3.1	Strengths of the Company	38
6.3.2	Weaknesses of the Company	39
6.3.3	Opportunities of the Company	40
6.3.4	Threats of the Company	40

CHAPTER SEVEN

7.0	COMPETITIVE STRENGTHS ASSESSMENT	41
7.1	INTRODUCTION	41
7.2	SAMPLE AND THE SURVEY	42
7.3	SUMMARY	45

CHAPTER EIGHT

8.0	STRATEGIES FOR SOLCI BRAND	46
8.1	INTRODUCTION	46
8.2	THREE GENERIC THEORIES	46
8.2.1	Low Cost Strategy	46
8.2.1.1	Application of Low Cost Strategy	47
8.2.2	Differentiation Strategy	48
8.2.2.1	Application of Differentiation Strategy	49
8.2.3	Focus Strategy	49
8.2.3.1	Application of Focus Strategy	50

CHAPTER NINE

9.0	CONCLUSIONS AND RECOMMENDATIONS	51
9.1	CONCLUSION	51
9.2	RECOMMENDATIONS FOR SOLCI BRAND	52
9.3	RECOMMENDATIONS AND FUTURE DIRECTION	53
9.3.1	Two Layer Tanks	53
9.3.2	Chemical Tanks	53
9.3.3	Fuel Tanks	54
9.4	LIST OF OTHER PRODUCTS	54
10.00	REFERENCES	55



VII

APPENDIX - I	IMPORT DATA	11
APPENDIX - II	QUESTIONNAIRE I & II	V
APPENDIX - III	RESPONDENTS FEED BACK	VII
APPENDIX - IV	MACHINERY PRICES	XII

LIST OF TABLES

TABLE 4-1	SALES AND GROSS PROFIT FROM YEAR 2000 TO 2002	25
TABLE 4-2	PRODUCT PORTFOLIO ANALYSIS	27
TABLE 4-3	RAW MATERIAL PRICES OF SUPPLIERS	28
TABLE 4-4	MARKET SHARE	29
TABLE 5-1	WATER TANK PRICES	32
TABLE 5-2	BRANDWISE ADVERTISING	33
TABLE 7-1	PROVINCES WISE RATING FOR KSF	43
TABLE 7-2	SUPPLIER WISE RATING FOR KSF	43
TABLE 7-3	WEIGHTED COMPETITOR STRENGTH ASSESSMENT	44

LIST OF FIGURES

FIGURE 2-1	MICHAEL PORTER'S FIVE FORCES MODEL	8
FIGURE 4-1	SALES AND GROSS PROFIT	26
FIGURE 4-2	RETAIL PRICES OF 500LT CAPACITY	26
FIGURE 4-3	TANK SIZE WISE SALES CONTRIBUTION	28
FIGURE 5-1	RAW MATERIAL IMPORTS	32
FIGURE 5-3	RAW MATERIAL PRICES	34
FIGURE 8-1	LLDPE IMPORTS PRICES	47

LIST OF ABBREVIATIONS

LLDPE	LINEAR LOW DENSITY POLYETHYLENE
PVC	POLYVINYL CHLORIDE
PEST	POLITICAL, ECONOMICAL, SOCIAL AND TECHNOLOGICAL
KSF	KEY SUCCESS FACTORS
SOLCI	BRAND NAME OF THE COMPANY REVIVE UNDER THIS STUDY
SWOT	STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS
ESCR	ENVIRONMENTAL STRESS CRACK RESISTANCE
UV	ULTRA VIOLET